

## Message Text

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ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 ISO-00 AGR-20 AID-20

CIAE-00 COME-00 FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00

XMB-07 OPIC-12 SP-03 CIEP-03 LAB-06 SIL-01 OMB-01

PA-04 PRS-01 USIA-15 NSC-07 SS-20 STR-08 CEA-02 L-03

SWF-02 DRC-01 /214 W

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R 272133Z SEP 74

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 6500

INFO AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY CARACAS

AMEMBASSY GUATEMALA

AMEMBASSY LIMA

AMEMBASSY LONDON

AMEMBASSY MANAGUA

AMEMBASSY MEXICO

AMEMBASSY SAN JOSE

AMEMBASSY SANTO DOMINGO

AMEMBASSY TEGUCIGALPA

AMCONSUL SAO PAULO

AMCONSUL RIO DE JANEIRO

AMCONSUL LUANDA

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EO 11652: N/A

TAGS: ETRD EAGR ES

SUBJ: COFFEE: "OTHER MILDS" BOYCOTT ENDS

REF: A. SS 3379; B. SS A-139 SEPT 25 NOTAL

1. ON OR ABOUT SEPTEMBER 16 EL SALVADOR LIFTED ITS COFFEE SALES BOY-

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COTT

REPORTEDLY THE LAST TO DO SO OF THE "OTHER MILDS" PARTICIPATING IN THE DEFENSE PACT BEGUN WITH THE MEXICO MEETING AND FIRMED AT THE PUNTARENAS MEETING; MEXICO WAS THE PENULTIMATE TO RESUME SALES. A SALVADORAN COFFEE COMPANY (CSC) SOURCE ESTIMATE THAT THE COUNTRY WILL ENTER THE 1974/75 COFFEE YEAR WITH 500,000 BAGS, OR ROUGHLY DOUBLE WHAT WOULD BE A DELIBERATE WORKING STOCK LEVEL. THIS WOULD INDICATE SALES IN THE LAST HALF OF SEPTEMBER OF ROUGHLY 200,000 BAGS. (TEH ASSOCIATION OF MILLERS, EXPORTERS SAID STOCKS REACHED 900,000 BAGS BUT THE CSC HAS CONSISTENTLY GIVEN US THE 700,000 FIGURE SINCE JUNE). THE CURRENT SALES POLICY REQUIRES THAT EACH OFFER BE JUDGED ON ITS MERITS BY THE NATIONAL COFFEE DEPARTMENT; OTHERWISE THERE ARE NO MINIMUM EXPORT PRICES OR SPECIFIC MARKET PREFERENCES. CURRENT SALES REFLECT NEW YORK PRICES, RUNNING AT \$52-\$65 CWT FOB EL SALVADOR, AND ARE ROUGHLY 70 PERCENT TO EUROPE, 30 PERCENT U.S.

2. AS NOTED IN REFAIR, THE CSC ON ITS OWN ACCOUNT BOUGHT DOMESTICALLY AT PRICES EQUAL TO \$72-76 CWT, A MOVE NOW STRONGLY CRITICIZED FOR ITS SPECULATIVE CONTENT AND FOR JEOPARDIZING THE CSC'S FINANCIAL POSITION UP TO \$18-20 MILLION IN LOSSES. SO IT IS NOT SURPRISING THAT THE CSC IS NOT AMONG THOSE SELLING IN THE REOPENED MARKET. WE HAVE NOT BEEN ABLE TO ASCERTAIN THE CSC'S EXPOSURE, IF ANY, IN "OTRAS SUAVES S.A." PRICE MAINTENANCE PURCHASES AT TERMINAL POINTS. ADDITIONALLY, WE ARE RELIABLY TOLD IT PURCHASED IN SPECULATION 70,000 BAGS BRAZILIAN AT \$46 CWT.

3. ROUGH DATA PROVIDED BY THE CSC INDICATE SALES IN CY1973/74 INCLUDING THE RECENT 200,000 OF ALMOST 2.4 MILLION BAGS, OF WHICH 850,000 WERE OLD COFFEE, ALL OF WHICH IS NOW GONE. WITH A CARRYING OF 500,000 BAGS AND AN ESTIMATE 1974/75 EXPORTABLE PRODUCTION OF 2.0/2.1 (DISCOUNTED FOR 5-10 PERCENT LOSS DUE TO HURRICANE FIFI) EL SALVADOR WILL HAVE POTENTIAL MARKET PARTICIPATION OF ALMOST 3.4 MILLION CWT IN NEXT YEAR. NO DOUBT THE GOES WAS MOTIVATED TO LIFT THE SALES BOYCOTT NOT ONLY BY STRONG PRIVATE SECTOR CRITICISM (REFAIR) AND NEED FOR FOREIGN EXCHANGE, BUT BY A DESIRE TO BOOST ITS STATISTICS IN LIGHT OF POSSIBLE ICA QUOTA NEGOTIATIONS.

CAMPBELL

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## Message Attributes

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**Disposition Authority:** izenbei0  
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